



Review of General Engineering and Professional Services Contracts

Project # 09-15

**Prepared by
Office of Inspector General**

**John W. Williams, Esq., Inspector General
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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

September 9, 2009

Audit and Finance Committee Members:

Mr. Charles J. Dauray, Chair
Mr. Eric Buermann, Member
Mr. Michael Collins, Member
Mr. Joe Collins, Member

Re: Review of General Engineering
and Professional Services Contracts
Project No. 09-15

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. The objectives focused on determining whether General Engineering and Professional Services contract work orders are awarded in an equitable manner to prime contractors; whether prime contractors are utilizing SBE subcontractors; whether adequate documentation is maintained to substantiate the level of effort/hours negotiated for executed work orders; and whether project managers are evaluating contractors' performances as required. This report was prepared by Tim Beirnes and Jankie Bhagudas.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Williams, Esq.", is written over a large, stylized flourish or scribble.

John W. Williams, Esq.
Inspector General

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BACKGROUND

In accordance with the Office of Inspector General's Fiscal Year 2009 Audit Plan, we conducted a review of the General Engineering and Professional Services (GEPS) Contracts.

The District's Procurement Department (Procurement), situated within Corporate Resources, is responsible for acquiring goods and services, and establishing other contractual relationships in support of District programs, projects and operations within the parameters of applicable laws, rules, policies and procedures.

Anticipating the high demand for procurement of engineering and professional services, largely due to restoration programs and the need to maintain existing facilities that exceeds the capacity of District staff, the District has awarded 104 contracts to 60 prime contractors for engineering support services in 11 disciplines. The contracts were executed through the Consultants' Competitive Negotiation Act (CCNA) - Request for Proposal (RFP) process and resulted in agreements with contractors capable of providing engineering support services in various engineering disciplines including the following: civil and structural engineering; electrical and mechanical engineering; environmental engineering, planning and permitting; modeling; dam design & safety; surveying & mapping; modeling; construction management; and full service engineering. The contracts are for three-year terms with two one-year renewal options to be exercised at the District's option and are intended to streamline the delivery of engineering and professional services by authorizing the District to use the pre-qualified firms. Services under the GEPS contracts are obtained on a work order basis (as-needed basis).

There are 5 to 17 pre-qualified contractors within each of the 11 disciplines. Each contract contains negotiated individual hourly rates for the prime contractor's staff and staff of subcontractors on the contractor's team of subcontractors. Thus, when a work order is assigned to a prime contractor, the only items left to be negotiated are the level of effort (the number of hours and the level of staffing) and other direct expenses. Prime contractors are not allowed mark-ups on subconsultant's costs or other direct expenses. As of May 26, 2009, approximately \$67.7 million in work orders have been executed and \$39.1 million are in the process of being negotiated.

The GEPS contracts were awarded based on several factors including prime contractors' commitment to use businesses certified by the District's Small Business Enterprise (SBE) Program as subcontractors to spur economic development and support small businesses, including women-owned and minority owned business. Prime GEPS contractors were awarded up to 10 points in the RFP evaluation process depending on their proposed SBE subcontractor participation. It is important to note that 20 (19 percent) of the 104 GEPS contract were awarded to SBE prime contractors.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objectives focused on determining whether GEPS work orders are awarded in an equitable manner to prime contractors; whether prime contractors are utilizing SBE subcontractors; whether adequate documentation is maintained to substantiate the level of effort/hours negotiated for executed work orders; and whether project managers are evaluating contractors' performances as required.

To accomplish our objectives we obtained an understanding of the administration of the GEPS contracts by interviewing key personnel in Procurement and reviewing relevant policies and procedures, e.g., *GEPS Procedures for Project Managers*. We also analyzed GEPS work orders that were assigned and executed as of March 27, 2009, to determine whether work was being distributed in an equitable manner. In instances, where it appeared that work was not spread equitably amongst the contractors, we obtained explanations from Procurement staff and project managers.

In addition, we determined whether contractors were adhering to their SBE utilization goals and obtained explanations in instances where SBE subcontractors were not utilized. Further, we determined whether there was adequate documentation to support the level of effort/hours negotiated for executed work orders and whether project managers are evaluating contractors' performances as required.

REVIEW RESULTS

Executive Summary

Overall, our review revealed that there are adequate controls in place to ensure that GEPS work orders are distributed equitably among prime contractors considering that many factors may affect the amount of work assigned to a contractor. Work order assignments are determined by Procurement and closely monitored by the District Leadership Team (DLT) to ensure compliance with the Governing Board's policy of fostering equitable distribution of work. As part of our tests, we analyzed all executed work orders as of March 27, 2009, and concluded that work is being equitably distributed among GEPS contractors.

Further, our sample of 14 executed work orders to determine whether work order costs were adequately substantiated revealed discrepancies in 5 of the 14 work orders. In four of the five cases the errors were minor; however, in one case due to a calculation error the contractor would have been overpaid \$89,500 by the District.

We found that in most instances non-SBE prime contractors are utilizing SBE subcontractors as contractually required; however, there are instances where certain contractors are falling behind their utilization goals. Specifically, we analyzed 52 non-SBE prime contractors that were awarded work as of March 27, 2009 and concluded that 32 of the 52 (62%) consultants would have to increase utilization in future work orders in order to meet their utilization commitments. Under-utilization ranged from \$5,078 to \$305,509 and totaled \$1,956,246. It should be noted that 11 of the 52 consultants (21%) did not have any SBE participation. In instances where SBE subcontractors were not utilized and the reasons were documented, the reasons for non-utilization appeared to be reasonable.

We also found that GEPS contractors are not being evaluated as required. Our review of Procurement's GEPS performance evaluation spreadsheets disclosed that final work order evaluations were not prepared for 23 of the 81 GEPS work orders that were completed as of April 30, 2009. Evaluations help ensure satisfactory contractor performance and provide valuable information in evaluating future proposals.

Work Orders are Assigned Equitably Among GEPS Contractors

Overall, our review revealed that there are adequate controls in place to ensure that GEPS work orders are distributed equitably among contractors. Work order assignments are determined by Procurement and closely monitored by the DLT to ensure compliance with the Governing Board's policy of fostering an equitable distribution of work. In addition, project managers are not allowed to contact contractors until the selection is either determined or confirmed by Procurement or approved by the DLT.

A Procurement contract specialist is responsible for ensuring that work is awarded as equitably as possible by monitoring work awarded to each contractor and for determining which contractor is next in line for new work. In instances where a contractor has contracts in multiple GEPS disciplines, the specialist takes into consideration the total work awarded to the contractor in all disciplines before determining whether any additional work should be assigned. As a result, a contractor in one discipline may not be considered for additional work if they were awarded equitable work in another discipline.

Project managers may request the use of specific GEPS contractors; however, their requests are required to be justified. Based on the justification provided, Procurement either concurs with the request or assigns another contractor. Before a contractor is assigned, project managers are required to complete a Work Order Assignment Request form, which requires certain information; such as, work summary, cost estimate, the number of work orders that will be required to complete the project, GEPS discipline, and the project manager's justification for a particular consultant. The Procurement Specialist reviews each request and either recommends a contractor or approves the requested contractor. However, the Procurement Director reviews each request and has final approval.

In addition to the above measures used to ensure that work is equitably distributed, each week Procurement provides the DLT with a Cumulative Award Status List, which summarizes the work orders amounts assigned and pending assignments to each contractor. In addition, the DLT's Procurement Subcommittee must approve certain

work orders. For example, work orders over \$500,000 must be approved by the DLT Procurement Subcommittee before the work order is executed.

As part of our tests, we analyzed all executed work orders as of March 27, 2009, to determine whether work is equitably distributed. We concluded that work is distributed among the GEPS contractors. However, it is not always possible to ensure that all contractors receive equal amount of work because the dollar amounts of the work orders are different. Specifically, the dollar amount of a work order awarded to a contractor within a particular discipline may be much larger than the amount awarded to another contractor within the same discipline. Thus, in instances where a contractor is assigned a large work order and subsequent work orders assigned to other contractors within the same discipline are for smaller amounts, it may appear as though work is not being spread around.

In some instances we noted that contractors were awarded more work orders than others; however, we concluded that the awards were justified. For example,

- The contractor may have performed work under a General Engineering Services (GES) work order and the project manager recommended that the same consultant continue the work under the GEPS work order since the contractor is already knowledgeable about the project or services required. For example, there are instances where projects are completed in phases and work orders are issued for each phase. It is often more cost efficient for the same contractor to continue each phase of the project. Further, there were several instances where contractors' staff are used for recurring tasks. Over time the staff enhance their skills and become knowledgeable in performing specialized District tasks, e.g., in the modeling discipline. District project managers indicated that it is more cost efficient to use the same staff as they possess the required specialized skill levels.
- The contractor was the architect/engineer of record under a previous work order. As a result, the contractor was retained to provide engineering services during the construction phase.

It should be noted that our review disclosed an instance where a GEPS work order should not have been assigned because a Notice to Cure was issued to the contractor for work performed under a GES work order. The notice was issued December 11, 2007,

and on December 20, 2007, Procurement selected the contractor for a GEPS work order. The work order totaled \$121,111 and executed on March 12, 2008. Procurement acknowledged that the contractor should not have been awarded this work order and that the award was an oversight.

Adequate Documentation to Substantiate Cost of Work; But Some Exceptions Noted

As part of our review, we sampled 14 executed work orders to determine whether there was adequate documentation to substantiate the level of effort/hours negotiated and whether the rates negotiated by Procurement were used to determine the labor costs. Overall, there was adequate documentation to substantiate the level of effort/hours negotiated for the 14 work orders. However, our review disclosed errors in 5 of the 14 work orders. In four of the five cases the errors were minor; however, in one case, due to a calculation error, the contractor would have been overpaid \$89,500 by the District. All the errors are detailed below.

➤ **Work Order #4600000773-W002:** This is a fixed cost work order. A calculation error in the cost breakdown could have resulted in an \$85,900 overpayment by the District to the contractor. Specifically, our review of the cost breakdown disclosed that costs listed as “Additional Expenses” were included twice in the total cost of the work order. The additional expenses comprised of the following:

- \$7,200 for a trapper (\$400 per day for 18 days)
- \$19,200 for radiography (\$3,200 per day for 6 days)
- \$59,500 for “snooper truck” (\$3,500 per day for 17 days)

The project manager agreed with our finding and discussed the error with the contractor; a work order revision will be executed to reduce the cost of the work to the correct amount.

➤ **Work Order #4600000774-W001:** This is a time and materials work order. The spreadsheet itemizing the labor costs indicated that a chief consulting geotechnical engineer will be required for 190 hour at a cost of \$36,177.60. However, our review

disclosed that the incorrect rates were used to determine the cost for the chief consulting geotechnical engineer's services. Specifically, rates for a chief consulting engineer were used and these rates are higher than the rates for chief consulting geotechnical engineer. The cost of the work at the correct rates is \$24,081.92. The incorrect rates could have led to a potential overcharge of \$12,095.68.

Based on a discussion with the contract specialist, when the invoices are submitted for payment the invoiced billing rates are required to be compared to the rates specified on Exhibit "L" of the contract. Nevertheless, contract specialists are required to verify the labor rates on the budget/cost breakdown of each work order to the negotiated rates specified in Exhibit "L" of the contract.

- **Work Orders #4600000933-W001 and #4600000933-W002:** These are fixed cost work orders that started in June 2008 and were expected to be completed on May 29, 2009 and June 26, 2009, respectively. Our review of the cost breakdown revealed that only FY 2008 labor rates were used to determine the cost of the work even though some of the work was scheduled to be performed in FY 2009. The FY 2009 labor rates (based on a three percent escalation over the FY 2008 rates) should have been used to determine the cost of the FY 2009 work. The contract specialist and the project manager concurred that the FY 2009 rates should have also been used.

- **Work Order #4600000895-W002:** This is a fixed cost work order for \$77,310.90. Our review of the cost breakdown revealed that a five percent charge for direct costs totaling \$3,681.60 was included in the work order amount. The contract specialist questioned and subsequently approved the direct costs. The contractor explained that the direct expenses included items such as reproduction, postage, travel, supplies, and communications. Further, the contractor explained that they have used a flat rate of five percent on labor on other contracts with the District. Based on a discussion with other Procurement staff, the contractor should have been required to provide an itemized listing of all direct expenses rather than charging a flat rate based on the labor costs.

Further, our review of the cost breakdown revealed that only FY 2008 labor rates were used to determine the cost of the work even though some of the work was

scheduled to be performed in FY 2009. The FY 2009 labor rates (based on a three percent escalation over the FY 2008 rates) should have been used to determine the cost of the FY 2009 work.

Adequate Efforts to Utilize Small Business Enterprises; However Improvements Needed

Non-SBE GEPS prime contractors are required to subcontract an average of 25 percent of the total work awarded by the District to SBE subcontractors prior to the expiration of their contracts as compliance with their contractual SBE utilization goal is based on the cumulative value of all work orders awarded during the contract period. Contractors are not required to meet their contract utilization goal on every work order since SBE utilization on all work orders may not be possible. However, if SBE subcontractors are not utilized on a particular work order, the prime contractor will need to make up the difference on subsequent work orders.

Procurement's SBE Office is required to monitor SBE utilization as work orders are issued to ensure that the utilization goals will be achieved over the life of the contract. The level of SBE participation for each work order is determined when the work order is being negotiated by the District project manager. In cases where contractors are not achieving their goals, SBE Program staff are required to inform the project managers and/or contract specialists or contact the contractors. Failure to comply with SBE utilization commitments is considered a material breach of the contract and may result in the suspension or disbarment. It should be noted that Procurement does not need to monitor SBE prime contractors' utilization of SBE subcontractors as work awarded to SBE prime contractors is considered 100 percent SBE utilization.

To determine whether prime contractors were taking steps to achieve their SBE utilization commitments, we analyzed the 52 non-SBE prime contractors that were awarded work orders as of March 27, 2009. Overall, we found that in most instances the non-SBE prime contractors are utilizing SBE subcontractors as contractually required; however, there are instances where certain contractors are falling behind their utilization goals. Specifically, we noted the following:

- 20 of the 52 (38%) consultants appear to be in compliance with their SBE utilization goals. Specifically, these consultants appear to be exceeding their SBE utilization by \$1,768 to \$301,184.
- 32 of the 52 (62%) consultants do not appear to be in full compliance with their contract SBE utilization goals. Specifically, under-utilization ranged from \$5,078 to \$305,509 and totaled \$1,956,246. In other words, based on their GEPS contract SBE utilization commitments, the 32 consultants should have awarded an additional \$1,956,246 to District-certified SBEs. Under utilization ranges are illustrated in the table below.

Ranges of SBE Utilization Goal Deficits, as of March 27, 2009	# of Contracts
\$5,000 - \$10,000	2
\$10,001 - \$20,000	4
\$20,001 - \$50,000	11
\$50,001 - \$100,000	12
>\$100,000	3

It should be noted that 11 of the 52 consultants (21%) did not have any SBE participation. Based on the total work orders awarded to these 11 consultants, SBE utilization goals were off by \$5,078 to \$169,286 when the total required contractual utilization was compared to the total proposed SBE utilization. In instances where SBE subcontractors were not utilized and the reasons were documented, the reasons for non-utilization appeared to be reasonable. Nevertheless, consultants are contractually required to honor their commitments. Based on our review and discussions with the SBE Office staff, we concluded that SBE subcontractors were not utilized for several reasons. For example,

- Work order amounts were small.
- Work awarded was deemed as “emergency” work therefore there was no time to use SBEs.
- Work was highly specialized and could only be performed by the prime contractor.
- Work order was for one to two consultants who are required to be on-site at the District either on a full-time or part-time basis.

- Work was for consultants who previously provided services under General Engineering Services (GES) work orders. District project managers cited that it not efficient to utilize SBEs due to costs and training issues.

Procurement has taken steps to ensure that GEPS contractors are complying with SBE utilization goals and accurately reporting utilization to the District. In late March 2009, Procurement sent letters to the GEPS prime contracts requesting that they confirm payments they have reported to the District via their SBE Subcontractor Utilization Reports. In addition, requests are also being sent to SBE subcontractors to confirm payments reported by the prime contractors.

We noted that the SBE Office does not have a formal monitoring process in place to determine whether GEPS consultants are complying with their SBE utilization goals. Utilization compliance is mostly determined by reviewing the contractor's SBE file as new work orders are assigned. As a result, utilization data is not readily determined. Initially, it was proposed that SBE utilization will be monitored using utilization data entered in SAP. However, according to Procurement's SAP Business Analyst, SBE utilization tracking is not an SAP standard and was added as a customization. As a result, SBE utilization data is not available in any of the SAP standard reports and new custom reports will have to be developed. A request has been made; however, it is not currently a priority.

Our review of the SBE files disclosed that the reasons for not utilizing SBEs were also always documented as required. In addition, SBE Subcontractor Utilization Reports are not maintained in the SBE files as required. It appears that contractors were not always submitting the reports with their invoices as required.

Project Managers' Completion of Contractors' Performance Evaluations Needs Improvement

A final performance evaluation is required to be completed by project managers at the completion of every work order. However, based on GEPS contractors' performance evaluation data maintained by Procurement, final performance evaluations are not being completed by District project managers as required. Specifically, a cursory review of

Procurement's GEPS performance evaluation spreadsheets, as of May 27, 2009, disclosed that final work order evaluations were not prepared for 23 (28%) of the 81 GEPS work orders that were completed as of April 30, 2009. Furthermore, we found that in the 23 instances the evaluations were overdue anywhere from 15 days to 318 days, as of April 30, 2009. It should be noted that in 19 of the 23 instances evaluations were never completed. Interim evaluations were prepared in the remaining four instances.

It should be noted that in a prior audit, *Audit of the Administration of General Engineering Services Contracts, Audit #07-03*, we found that GES contractors were also not being evaluated as required and recommended that project managers be held accountable. Management agreed with the recommendation and was considering implementing several options to ensure compliance. Specifically, management stated the following:

- Project managers are required to comply with the District's Project Management Methodology, which includes requirements to evaluate contractors.
- Procurement will track the completion of evaluations and remind project managers via e-mails to complete evaluations. In instances where project managers are non-responsive, their supervisors will be notified.

In addition, management was considering the following:

- Informing upper management when project managers are non-responsive.
- Refusing assignments of additional work orders for project managers until existing evaluations are up-to-date;
- Including, as part of the annual performance review process, procedures that appropriately rate non-responsive project managers.

It appears that Procurement is taking adequate steps to ensure that project managers are notified and reminded when evaluations are due and overdue. For example, projects managers are notified when evaluations are outstanding and contract specialists were instructed not to approve additional work orders for project managers until existing evaluations are up-to-date. However, it is evident that some project managers are still not responsive and management should consider additional measures. Completed performance evaluation forms are required to be retained in Procurement and are

available as a record of current performance for use in the evaluation process of future solicitations released by the District. Therefore, it is important that all required performance evaluations are completed.

Recommendations

- 1. Take steps to ensure that project managers and Procurement’s contract specialists verify that all work order costs are calculated accurately. In addition, remind project managers and contract specialist to use the correct labor rates and that direct costs should be itemized and not be based on a percentage of labor costs.**

Management Response: Management agrees with the audit findings. Management plans to continue requiring multiple reviews of costs proposals and other work order cost related documentation by technical staff and contract specialists to prevent future errors. In addition, Procurement has instructed all contract specialists that all direct costs should be itemized and reviewed for compliance with the contract. (See APPENDIX A for additional management comments.)

Responsible Department: Procurement Department

Estimated Completion: Ongoing

- 2. Consider taking appropriate action to ensure that prime contractors who are behind falling their SBE utilization goals will increase utilization in future work orders. Further, develop a more effective method for monitoring prime contractors’ utilization of SBE subcontractors.**

Management Response: Management agrees with audit findings and recommendation. Procurement’s SBE Section has adopted the Inspector General’s General Engineering and Professional Services SBE Utilization Excel spreadsheet as a tool to track proposed SBE subcontractor utilization by work order. In addition,

utilization of SBE subcontractors are monitored as work orders are issued and via an SBE subcontractor payment verification process. Further, the SBE Office is continuing to pursue customized SAP functionality to enable SBE staff to monitor, analyze, and report SBE utilization. (See APPENDIX A for additional management comments.)

Responsible Department: Procurement Department

Estimated Completion: The SBE staff has begun using the Inspector General's General Engineering and Professional Services SBE Utilization Excel spreadsheet as a tool to track proposed SBE subcontractor utilization by work order. In regards to developing a more effective tool for monitoring prime contractors' utilization of SBE subcontractors, it was proposed that SBE utilization be monitored using data entered into SAP to generate customized reports. In order for the customization to be funded, it will need to be added to the District's 2011 budget.

3. Take appropriate steps to ensure project managers are completing contractors' performance evaluations as required.

Management Response: Management agrees with the audit findings and recommendation. In addition to elevating the status of overdue performance evaluations to the project manager's supervisor and refusing assignments of additional work orders for project managers until existing evaluations are up to date, Procurement staff will provide a monthly report to the Procurement Director and Deputy Executive Director of Corporate Resources on overdue performance evaluations. The report may then be provided to other resource area directors to enforce contractor performance evaluation requirements. It is not anticipated that this requirement will be included as part of the annual performance review process. (See APPENDIX A for additional management comments.)

Responsible Department: Procurement Department and Corporate Resources

Estimated Completion: October 2009

APPENDIX A

MEMORANDUM

TO: John Williams, Esq., Inspector General
J. Timothy Beirnes, CPA, Director of Auditing
Jankie Bhagudas, CPA, Lead Consulting Auditor

FROM: Sandra Turnquest, Deputy Executive Director, Corporate Resources
Carrie Hill, Assistant Deputy Executive Director, Corporate Resources

DATE: August 25, 2009

SUBJECT: **Draft Report: Review of General Engineering and Professional Services Contracts – Project No. 09-15**

In response to the draft report referenced above, management provides the following comments:

Recommendation Number 1

Take steps to ensure that project managers and Procurement's contract specialists verify that all work order costs are calculated accurately. In addition, remind project managers and contract specialists to use the correct labor rates and that direct costs should be itemized and not be based on a percentage of labor costs.

Management Response:

Management agrees with the audit findings and notes the following:

WO 460000773-WO02

In accordance with District practice, the contract specialist and the four member technical team reviewed the cost proposal spreadsheet submitted by the consultant. Not one of the five was able to detect an error which occurred because of a formula error in one cell. It is our recommendation that duplicate checks and reviews continue to be made to cost proposals submitted by consultants.

WO 460000774-WO01

The labor category title in this work order is similar to two titles in the contract rate schedule. A chief consulting engineer rate was used instead of a chief consulting geotechnical engineer rate. Once detected, appropriate steps were taken to correct the error and no overcharges occurred. Again, multiple reviews by technical staff and the contract specialist should eliminate this type of error.

WO 460000933-WO01 & WO02

The Department will work on consistency in reviewing cost proposals. However, if a consultant submits a proposal using an earlier year's rate for both years, we do not necessarily correct cost submittals for work crossing fiscal years.

WO 460000895-WO02

The Department has instructed all contract specialists that all direct costs will be itemized and reviewed for compliance with the contract. A percentage of total costs will not be used to determine direct costs.

Responsible Department: Procurement Department

Estimated Completion: Ongoing

Recommendation Number 2

Consider taking appropriate action to ensure that prime contractors who are falling behind in their Small Business Enterprise (SBE) utilization goals will increase utilization in future work orders. Further, develop a more effective method for monitoring prime contractors' utilization of SBE subcontractors.

Management Response:

Management agrees with audit findings and recommendation.

Procurement's SBE Section has adopted the Inspector General's (IG) General Engineering and Professional Services (GEPS) SBE Utilization Excel spreadsheet as a tool to track proposed SBE subcontractor utilization by work order. This spreadsheet compares the SBE contract goal to the SBE work order goal. However, it should be noted that the District tracks payments to the prime and reported payments to SBE subcontractors to calculate SBE utilization over the entire contract.

Monitoring prime contractor's SBE subcontractor participation includes two areas: (1) proposed SBE subcontractor utilization by work order process and (2) reported SBE subcontractor payments verification process.

1. Proposed SBE subcontractor utilization by work order process:

- Work orders are logged and reviewed for SBE utilization compliance. The proposed SBE goal for the work order is compared to the SBE contract goal.
- The SBE contract file is reviewed for team composition and verified in SAP.
- If a work order contains participation with verified subcontractors, then the work order will be approved and a copy will be placed in the SBE files.

- In the event that a contract work order has zero SBE Utilization percentage, the file is reviewed to determine if there is documentation of
 - (1) requirements by the District for the prime contractor to perform the work,
 - (2) changes in the scope of work, or
 - (3) other documented reasons for zero SBE utilization.
- District Project Manager is asked to provide comments for zero SBE utilization.
- Prime contractor is asked to submit an explanation of the zero SBE utilization proposed for the work order.

2. Reported SBE subcontractor payments verification process:

- An Introductory Contract Compliance letter is sent to the Prime Contractor advising the company of its SBE Contract Goal.
- Upon receipt of the first SBE Subcontractor Utilization Report form, technical assistance is provided to the contractor on an as needed basis.
- The Prime Contractor must attach an SBE Subcontractor Utilization Report with every invoice submittal.
- The invoice and SBE Subcontractor Utilization Report must be submitted to the District's Project Manager (PM) and the SBE staff.
- The SBE Subcontractor Utilization Form is reviewed for accuracy.
- SBE Subcontractor Payments are entered into SAP.
- A Procurement Report on SBE Participation is generated quarterly and annually.
- An SBE Compliance Audit is performed annually.

With regards to developing a more effective method for monitoring prime contractors' utilization of SBE subcontractors, the SBE Office is continuing to pursue customized SAP functionality to enable Senior Compliance Specialists to monitor, analyze and report SBE utilization.

Responsible Department: Procurement Department

Estimated Completion:

The SBE staff has begun using the IG's GEPS SBE Utilization Excel spreadsheet as a tool to track proposed SBE subcontractor utilization by work order. In regards to developing a more effective tool for monitoring prime contractors' utilization of SBE subcontractors, it was proposed that SBE utilization be monitored using data entered into SAP to generate customized reports. In order for the customization to be funded, it will need to be added to the District's 2011 Budget.

Recommendation Number 3

Take appropriate steps to ensure project managers are completing contractors' performance evaluations as required.

Management Response:

Management agrees with the audit findings and recommendation and is implementing the following:

In addition to elevating the status of overdue performance evaluations to the project manager's supervisor and refusing assignments of additional work orders for project managers until existing evaluations are up to date, the department will provide a monthly report to the Procurement Director and Deputy Executive Director of Corporate Resources on overdue performance evaluations. The report may then be provided to other resource area directors to enforce contractor performance evaluation requirements. We do not anticipate including this requirement as part of the annual performance review process.

Responsible Department: Procurement Department and Corporate Resources

Estimated Completion Date: October 2009

c: Frank Hayden – 6611
Dorothy Bradshaw – 6612
Donna Lavery - 6612
Rick Vojtas – 6613